

Nicole Galloway, CPA

Missouri State Auditor

Office of State Treasurer
Period July 1, 2018 through January 3, 2019

Report No. 2019-034

May 2019

auditor.mo.gov



Findings in the closeout audit of the Office of State Treasurer

Background

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities or certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, and (4) unclaimed property.

On January 9, 2017, Eric Schmitt was inaugurated as the forty-sixth Treasurer of the state of Missouri. He served in this role until January 3, 2019, when he was sworn in as Missouri's forty-third Attorney General. His term as State Treasurer was to expire in January 2021. Governor Michael L. Parson appointed Scott Fitzpatrick as State Treasurer and he was sworn in on January 14, 2019. From January 3, 2019, until January 14, 2019, Jonathan M. Hensley served as Assistant State Treasurer.

Findings

The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from this audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent: The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

Good: The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

Fair: The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

Poor: The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Office of State Treasurer

Table of Contents

State Auditor's Report	2
Organization and Statistical Information	4
<u>Appendix</u>	
Statement of Appropriations and Expenditures Period July 1, 2018 through January 3, 2019	6



NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Eric Schmitt, Attorney General

and

Honorable Scott Fitzpatrick, State Treasurer
Jefferson City, Missouri

We have audited certain operations of the Office of State Treasurer, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the period of July 1, 2018, through January 3, 2019. The objectives of our audit were to:

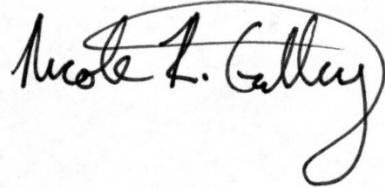
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Office of State Treasurer.



Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Senior Director:	Douglas J. Porting, CPA, CFE
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Emily Barraclough, CPA
Audit Staff:	Tori L. Riley, MBA, CFE

Office of State Treasurer

Organization and Statistical Information

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities or certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, and (4) unclaimed property.

The accounting and banking services area (1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, (2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, (3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, (4) reconciles bank activity to receipt and disbursement activity reflected on the state books, (5) determines the amount of state monies not needed for current operating expenses, and (6) confirms daily disbursements with the bank as certified by the Office of Administration.

The general and administrative services area provides processing support to other areas of the office by (1) retrieving state checks, and (2) controlling and processing outlawed and replacement checks, and (3) processing invoices for office expenditures.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447, RSMo). The Unclaimed Property Division is responsible for (1) ensuring unclaimed property is reported, (2) receiving and recording reports of unclaimed property, (3) depositing unclaimed funds to the Abandoned Fund Account Fund, (4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and (5) processing owner claims for abandoned funds or physical property.

On January 9, 2017, Eric Schmitt was inaugurated as the forty-sixth Treasurer of the state of Missouri. He served in this role until January 3, 2019, when he was sworn in as Missouri's forty-third Attorney General. His term as State



Office of State Treasurer Organization and Statistical Information

Treasurer was to expire in January 2021. Governor Michael L. Parson appointed Scott Fitzpatrick as State Treasurer and he was sworn in on January 14, 2019. From January 3, 2019, until January 14, 2019, Jonathan M. Hensley served as Assistant State Treasurer.

Financial Activity

A summary of the office's operating financial activity is presented in the following Appendix.

Appendix

Office of State Treasurer
 Statement of Appropriations and Expenditures
 Period July 1, 2018 to January 3, 2019

	Appropriation Authority	Expenditures	Encumbered	Uncommitted Appropriations
GENERAL REVENUE FUND				
Issuing duplicate/outlawed checks	\$ 2,000,000	816,427	0	1,183,573
Refunds of excess interest from the linked deposit program	2,500	79	0	2,421
Total General Revenue Fund	2,002,500	816,506	0	1,185,994
STATE TREASURER'S GENERAL OPERATIONS FUND				
Personal service	1,661,311	781,356	59,989	819,966
Expense and equipment	270,672	95,389	1,383	173,900
Operation of state-owned facilities, utilities, systems, furniture, and structural modifications - expense and equipment	188,526	94,546	33,990	59,990
Total State Treasurer's General Operations Fund	2,120,509	971,291	95,362	1,053,856
TREASURER'S INFORMATION FUND				
Preparation and dissemination of information or publications, or for refunding overpayments	8,000	0	0	8,000
Total Treasurer's Information Fund	8,000	0	0	8,000
CENTRAL CHECK MAILING SERVICE REVOLVING FUND				
Personal service	12,557	6,906	576	5,075
Expense and equipment	225,000	30,567	0	194,433
Total Central Check Mailing Service Revolving Fund	237,557	37,473	576	199,508
ABANDONED FUND ACCOUNT FUND				
Personal service	603,736	290,933	23,872	288,931
Expense and equipment	98,600	34,879	1,009	62,712
Advertising and auctions	1,475,000	178,092	0	1,296,908
Payment of claims for abandoned property transferred by holders to the state	49,000,000	20,661,382	0	28,338,618
Total Abandoned Fund Account Fund	51,177,336	21,165,286	24,881	29,987,169
Total All Funds	\$ 55,545,902	22,990,556	120,819	32,434,527